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NATIONAL INTELLIGENCE DAILY CABLE

Thursday 7 September 1978

CG NIDC 78/209

NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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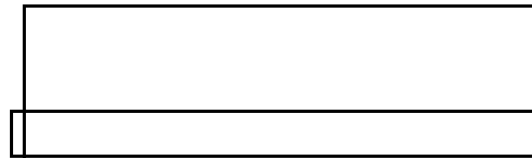
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National Intelligence Daily Cable for Thursday, 7 September 1978.

The NID Cable is for the purpose of informing senior US officials.

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OPEC: Decline in Disbursements

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[Redacted] Net disbursements of concessionary economic aid by members of the Organization of Petroleum Exporting Countries will probably fall this year by at least 20 percent after reaching a record of \$5.8 billion in 1977. The conservative Arab Gulf states, although still providing the bulk of OPEC aid, are cutting back their programs, and Iran's transfers probably will fall by as much as 50 percent. Only Libya and Iraq will increase

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[Redacted] The conservative Arab Gulf states continue to receive enormous sums from oil sales and have large foreign assets. Some are encountering intermittent cash shortages, however, because of poor budgeting, reduced oil sales, high imports, international inflation, and the declining value of the dollar.//

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[Redacted] //The Arab confrontation states, which depend on the Gulf donors, will be most severely affected by the aid reductions. Disbursements to Egypt will decline sharply in 1978 because the donor states decided in July not to replenish the nearly exhausted capital of their Gulf Organization for the Development of Egypt.

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CHINA: Chang's Visit to Japan

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[redacted] Chinese Deputy Chief of Staff Chang Tsai-chien will begin an "unofficial" six-day visit to Japan tomorrow before proceeding to Mexico City to attend Independence Day ceremonies. Chang, the third-ranking Deputy Chief of Staff, is the first senior Chinese military official to visit Japan. China sees the visit as another way to irritate the Soviet Union, which is still angered by the signing of the Chinese-Japanese Peace and Friendship Treaty last month but, for precisely this reason, Japan is likely to handle the visit in a low-key fashion.

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[redacted] Since early last year, China has invited several groups of retired Japanese military officers and academic defense specialists to visit China, in part to sell Chinese views about the Soviet military threat in Asia. Japanese delegations this year have met with senior Chinese officials, including Defense Minister Hsu Hsiang-chien and Deputy Defense Minister Su Yu. In March, the first active-duty Japanese military officer not accredited as a regular attache visited Peking as the leader of a Japanese Defense Agency intelligence team.

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[redacted] Tokyo has imposed an embargo on all arms sales and, aware of Moscow's sensitivity to any proposed arms sale to China, has avoided the suggestion of direct military links with Peking.//

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[redacted] //Even so, the Chinese may hope that the visit will provide a formal entree to the Japanese defense establishment and that Tokyo may eventually reconsider the possibility of military cooperation.// China obviously wants to create the impression, particularly in Moscow, that broader Chinese-Japanese cooperation is in the offing.

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[redacted] The USSR has already shown its concern over the visit, charging in a broadcast on Tuesday that the visit would pave the way for a "Japan-China military alliance in the future under the wing of the US."

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PERU: Mineworkers' Strike Ends

25X1 [] A firm stand by Peru's military government seems finally to have ended an economically crippling miners' strike, but scheduled budget cuts in the public sector led to a new protest yesterday by government workers.

25X1 [] Most of Peru's 50,000 striking mineworkers returned to their jobs on Monday and Tuesday following government threats of dismissal. Several members of some remaining strikers' families reportedly were wounded yesterday when troops forcibly evicted them from Lima's San Marcos University. In protest, strike leaders called for a resumption of the walkout on Monday, but it is doubtful that many miners, now weary of the month-long strike, will respond.

25X1 [] Their month-long strike, which effectively shut down most of the industry, cost the economically troubled country approximately \$75 million in lost revenues.

25X1 [] The government's threat to fire striking miners, coupled with its refusal to reinstate 320 miners dismissed during the past 18 months, appears to signal a tougher line on union demands and could trigger further disruptive strikes. Dissatisfaction is already growing among public sector workers over reports that the government plans to dismiss 30,000 of them to demonstrate fiscal restraint as part of its new economic stabilization program.

25X1 [] During a widely observed strike of state employees in Lima yesterday, parades tied up traffic for several hours and security forces used tear gas to break up some demonstrations. The government workers are still poorly organized but, should they gain the support of the large trade union confederations, the government could face a serious new wave of labor strife.

25X1 [] Constituent Assembly President Victor Haya de la Torre succeeded late last month in diverting the assembly's attention from the country's labor troubles long enough to conclude debate on internal rules of procedure. The assembly will now break up into committees to begin the drafting of a new constitution.

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USSR: Widening Trade Deficit

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[] The USSR registered a \$3 billion hard-currency trade deficit in the first half of 1978 as heavy imports of grain pushed hard-currency imports to a record level. Non-grain imports are also on the rise, an indication that Moscow is satisfied that it has regained control of its balance of payments. We project that the USSR will have a hard-currency trade deficit of about \$4 billion, which it will have little trouble financing through gold sales, arms sales, and long-term government-backed credits for equipment.

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[] The rapid rise in imports--from \$7.7 billion to \$8.8 billion--was greater than expected because of a turnaround in non-grain imports, which had fallen steadily throughout 1977 as a result of Soviet efforts to reduce the hard currency trade deficit. Equipment imports are running higher than expected. Oil imports from Iraq increased by \$80 million to \$347 million. Grain imports also increased to an estimated \$1.6 billion, \$1 billion more than the first half of 1977, reflecting heavy purchases following the downturn in the 1977 crop.

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[] Soviet hard-currency exports increased 14 percent over the first half of last year to \$5.8 billion on the strength of higher exports to certain developing countries. Exports to Western industrial countries, with the exception of West Germany, declined.

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[] The deficit in the second half should be well below the first half level, with imports down and exports up. Barring a drastic deterioration in prospects for the Soviet grain crop--which now appear excellent--grain imports will be down by as much as half in the last six months of the year. Current contracts call for \$600 million to \$800 million worth of grain shipments to the USSR in the third quarter. Moscow has yet to place its orders for the current crop year, and scheduled deliveries for the fourth quarter are negligible.

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[] Equipment imports are likely to fall below their current pace. Equipment orders, a reliable lead indicator for imports, fell by 40 percent in 1977 and remained at the same low annual rate through the first half of 1978. Minister of Foreign Trade Patolichev has explained that the USSR's reduced level of equipment orders is due to construction bottlenecks and that problems would continue for another year or two.

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Exports for the remainder of the year should be somewhat higher because of seasonal factors. A large increase, however, seems precluded by the slow pace of Western growth. Oil exports, the mainstay of Soviet export gains in recent years, will probably grow little this year. There has been no price increase, and export volume to hard-currency countries will probably be about the same as the 1977 level of 1.1 million barrels per day.

TUNISIA: Bourguiba Returns

Tunisian President Bourguiba--accompanied by his wife--returned to Tunis on 31 August from a two month stay in Switzerland and France for rest and medical treatment. The 75-year-old President

faces several contentious political decisions that will affect the political climate in Tunis over the next several months.

The basic issue facing the Tunisian leadership is whether to adopt a policy of political liberalization and seek reconciliation with domestic opponents or to continue the present hardline approach to political opposition. A conciliatory approach would be embarrassing but not fatal to Prime Minister Nour and other conservatives in the present government.

Bourguiba, whose authority is unchallenged, may nonetheless seize the opportunity to impose a political compromise that he hopes would mollify domestic critics. The return of Bourguiba's wife--who is said to favor reconciliation and has had two months to influence the President's thinking--further suggests the government will seek an accommodation.

The most immediate problem is the legal disposition of some 100 labor activists who are being tried for their alleged role in the rioting that accompanied the country's first general labor strike last January. The Tunisian Court of Cassation--in effect, the supreme court--has upheld a lower court decision that there were insufficient criminal grounds to try the case. The government has now decided to refer the case to the state security court.

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[] Former labor leader Achour, who is still awaiting trial, will also be brought before this court. It is likely, however, that once Achour and other labor activists are convicted on at least some of the charges, Bourguiba will exercise his constitutional right of pardon to signal his desire for reconciliation.

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[] The government will also have to decide how to react to international and domestic charges that Tunisian security personnel tortured some labor activists. If a conciliatory policy is in the offing, the government will probably avoid an official response and hope that such criticism will dissipate.

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[] Another pending issue is whether the government will grant legal status to the liberal opposition political party, the Movement of Social Democrats. The government is likely to let the pending application lapse, but it may approve the party sometime next year. In the interim, efforts will be made to energize the ruling, but largely moribund, Destourian Socialist Party. []

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Arab States

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[] Syrian Foreign Minister Khaddam visited Libya yesterday. The trip may be part of an effort to convene a third summit of the "Steadfastness Front" of Arab hardliners formed last December to oppose Egypt's peace initiative. Recent Arab press reports have speculated that discussions are under way among the Front's members--Syria, the Palestine Liberation Organization, Libya, Algeria, and South Yemen--about holding a summit in Damascus after the Camp David talks end.

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[] Syrian President Assad strongly criticized the Camp David talks in a speech yesterday, warning that Syria would not be bound by any decisions reached there. []

Afghanistan

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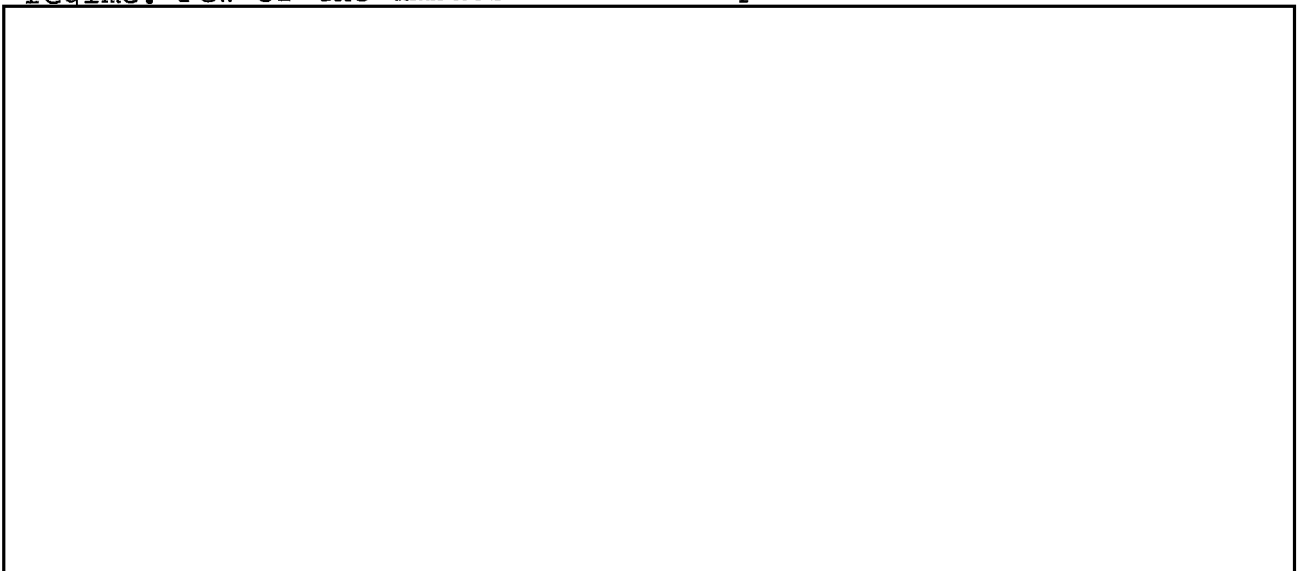
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[] On Tuesday, the Afghan Government informed the US, the UK, Iran, Pakistan, Yugoslavia, and possibly Czechoslovakia that it is recalling its ambassadors to those countries. The ambassadors--members of a faction led by former Deputy Prime Minister Babrak Karmal, President Taraki's main rival in the ruling People's Democratic Party--were exiled to these posts in late June and early July.

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[] Taraki apparently believes the men still represent a security threat, and he probably suspects them of plotting with supporters still in Afghanistan and other opponents of the regime. Few of the ambassadors are expected to return to Kabul.

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